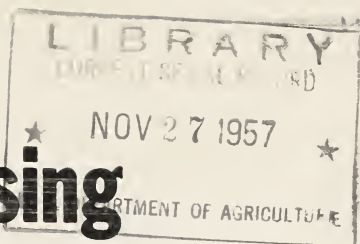


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Purchasing Cooperatives

An Essential Tool for



the Modern Farmer

by
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**Farmer Cooperative Service
U. S. Department of Agriculture**

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The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, financing, merchandising, product quality, costs, efficiency, and membership.

The Service publishes the results of the studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

Purchasing Cooperatives --

An Essential Tool for the Modern Farmer

by
Martin A. Abrahamsen
Purchasing Division

Few people realize how much the average farmer spends for the production supplies and services he needs to carry on his operations. Our studies show this now runs about \$3,000 a year. This requires close to half of his cash farm income and contrasts with World War I when only about one-third of his cash farm income was spent for these items. This increase in farm expenditures has come about largely because of the march of agricultural progress.

This article reviews some of the more important developments that account for the changes in farming and explains why the farmer looks to his cooperative to help get the goods and services he needs to carry on his present-day farm activities.

Impacts of Change

Many contributing forces account for the changes taking place in agriculture. Some of the more important ones are highlighted here.

Research Comes to the Fore-ground. -- Back of much of the change

in farming practices has been research on problems of production and on various economic phases of farm management and marketing.

Production research, for instance, has provided the farmer with better strains of livestock and crops -- strains suited to his specific geographic location and capable of greatly increasing his production. Consequently he no longer relies to any great extent on the seed he produces on his own farm. He even looks elsewhere for much of his livestock -- at least the foundation animals. To make the best use of his resources the farmer also must have feeds especially suited to the conditions under which he feeds his livestock and poultry. Antibiotics -- and in many instances stilbestrol -- are commonplace ingredients in today's feed. For all of these and other items, research has pioneered in providing the production supplies he needs.

Along somewhat different lines, economic research has furnished many of the facts for helping a farmer improve his farm management practices. Similarly, studies on the problems of marketing have introduced a vast number of technical achievements responsible for bringing better food to the consumer's table. In this way new and expanded markets for farm products have developed. Finally, research has introduced efficiencies in the markets providing the goods and services needed for present-day production.

Horsepower Replaces Manpower. -- Another striking indication of the change that has taken place on the farm is the fact that horses and mules

largely have been replaced by tractors and trucks. For instance, in 1918 there were nearly 27 million horses and mules on farms in this country -- now there are only 3.5 million. To put it another way, for every seven horses and mules on farms at the close of World War I, now there is only one. Even 25 years ago there were five for every one there is today.

The extent of the farmer's reliance on "iron horses" is shown by the fact that there were only 85,000 tractors on farms in 1918 and now there are 4.8 million. For every tractor farmers had in 1918, they now have 56. Even since 1930, there has been a five-fold increase in tractor numbers. In varying degrees the same general trend has taken place for most farm machines -- trucks, combines, milking machines, and corn pickers, for example.

Fertilizer, Lime and Sprays Increase Production. -- In adjusting operations to meet the impacts of the many changes taking place all around him, the farmer realizes that high yields and efficient production have become the stepping stones to successful farm operation. To achieve these ends he is using vastly increased amounts of commercial fertilizer, lime, insecticides, fungicides, and related materials.

More Services Are Required. -- The modern farmer, too, needs more in the way of services to carry out his farm operations effectively. Among these are: (1) Increased insurance for greater possible losses from fire, wind, and hail; (2) more electrical power to perform many needed farm jobs; (3) expanded credit of various kinds to meet his growing demands

for capital; and (4) in some areas, a greater amount of water for irrigation. In addition, he has a growing need for such services as bulk delivery of feed, bulk spreading of lime and fertilizer, painting and spraying of buildings, and dusting and spraying of various crops for insects and diseases.

Farm Family Living Has Improved. -- At the same time there has been an ever-expanding demand for modern household equipment. Motors, refrigeration facilities, and home laundry equipment are but illustrations of the "new look" in the farm home. By processing, freezing and storing their home grown meats, poultry, and fresh fruits and vegetables, the farmer has greatly improved his diet and eating habits. He is increasing his use of frozen food locker facilities and services to achieve this end. In 1955, for instance, local food locker plants processed over 1.6 billion pounds of food for more than 5 million families, about two-thirds of them farmers.

These are some of the many changes that have become a part of farm operations. The modern farmer then is confronted both with new jobs to be done and with new ways of doing present jobs more efficiently than they have ever been done before. He needs greatly increased amounts of farm production supplies and many additional services to farm efficiently. It becomes increasingly obvious that, like the old gray mare, "farming ain't what she used to be."

Place of Purchasing Co-ops

Here is where the farmer puts his purchasing cooperatives to work.

Because of his earlier experience with marketing cooperatives in selling his products, it was only natural that he would turn to the cooperative way of doing things in trying to solve many of the problems growing out of his increased demands for production supplies and services that arose on his farm.

Thus he looks to purchasing cooperatives to provide these items at cost to help him carry on his farm operations under the highly competitive conditions in which he finds himself operating today. These associations give him a say-so in getting these jobs done the way he wants them done. Moreover, they assure him of getting the savings that result from running his own business. His production supply organizations also enable him to derive for himself the economic benefits that result from the integration of his farm operations. Finally, they are interested in providing the services he wants when he wants them and in handling production supplies of the quality his operations require. By joining with his fellow farmers in purchasing cooperatives, he seeks to improve his bargaining position so he may achieve equality with other segments of the economy. A few examples will illustrate this point.

Pace-Setting in Feeds. -- I have indicated that the modern farmer no longer finds the grain and hay he produced on his own farm adequate for his cattle, hogs, sheep, and poultry. With improved and highly productive strains of livestock, he recognizes the importance of balanced rations containing the most effective ingredients. Consequently he often



*The modern farmer organizes purchasing co-
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takes steps to see to it that his cooperative mixes feeds economically with the most modern feed manufacturing facilities. Over 4,500 cooperatives -- marketing and farm supply -- now provide about 25 percent of the commercial feeds farmers use in their operations.

High Analysis and "Prescription Blending" of Fertilizers. -- In fertilizer manufacturing, farm supply cooperatives have been at the forefront in manufacturing a high-analysis, low-cost product. Moreover, by helping farmers determine their specific soil needs many associations are able to blend mixes especially suited to each farmer's individual needs.

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Farmers use some 2,000 cooperatives to provide these materials. These associations account for about 18 percent of the fertilizer used by farmers.

Quality Seed Production. -- From experience the farmer knows it often is impossible to produce on his farm the kind and quality of seeds that give the best results under conditions of modern farming. He knows his seeds should be suited to his particular location. To produce high-quality crops, seeds need to have built into them high productivity, resistance to disease, and even to insect infestations. Some 3,000 cooperatives now provide around 12 percent of all seeds used on farms.

Savings in Petroleum. -- While the farmer formerly grew the hay and oats needed to feed the horses and mules that furnished his farm power, he now often finds it to his advantage to use his cooperative to provide him the gasoline, tractor and heating fuels, and oils and greases needed to carry on his mechanized operations.

That is why he and his fellow farmers have organized some 2,000 local farmer cooperatives to provide him with the various kinds of petroleum products he needs. That is the reason, too, why back of these associations some 30 State or regional organizations either individually or jointly operate a dozen refineries. To a limited extent farmers have found that efficient operations of their refineries require that they produce some of the crude oil necessary to keep them going. About 20 percent of the petroleum products used on farms is provided by the farmers' own cooperatives.

Present Status

These are some of the developments back of the growing emphasis the farmer has come to place on his production supply cooperatives. They explain why he has organized some 3,300 such cooperatives in the United States whose primary business is production supplies. It also explains why, in addition, some 4,000 predominantly marketing cooperatives handle some farm supplies as a side-line.

It is the impact of these changes characterizing modern agriculture that explains why one out of three marketing and farm supply coopera-

tives now specialize in handling farm supplies. This is in contrast with 25 years ago when only one out of 10 was in this classification. When all production supplies used on farms are taken into account, cooperatives now provide approximately 15 percent of the total.

These same forces are back of the organization by farmers of about 15,000 service cooperatives -- cooperatives that provide insurance, electricity, credit, irrigation, and related services that also are a part of every-day modern farming. This is why nearly two-thirds of the fire insurance farmers have in force is provided by their own mutual insurance companies. For the same reason over two-thirds of their electricity is obtained from REA cooperatives. It explains, too, why they also get large amounts of credit, telephone service, and mutual irrigation service through their own cooperative associations.

Objectives

The farmer's interest in using his cooperatives to provide these production supplies and services is essentially economic in nature. A brief examination of what he gains by setting up his own cooperatives explains his use of them.

Savings for Farmers. -- For instance, by having his own farm supply associations, he and his fellow cooperative members now realize savings of \$100 to \$125 million a year based on net operating margins after payment of authorized costs of operation. Other intangible benefits realized through the pace-setting contributions

of these cooperatives are better qualities of farm supplies and better operating performance by all farm supply distributors.

Improved Service. -- Equally as important as the savings farmers realize through their purchasing cooperatives are the improved services these organizations provide their members. For example, their emphasis on cost reduction through bulk distribution of feeds and fertilizers, the stress they place on high-analysis fertilizer mixed according to the special needs of patrons, and the attention they give to obtaining high-quality seeds, adapted to geographic conditions, are but illustrations of many of the added services that farmers have realized by setting up their own farm supply associations.

The contributions of mutual fire insurance to fire loss prevention also illustrate how these same farmers look to their service cooperatives to help them save money. Through their cooperatives farmers can obtain needed farm credit, irrigation, electric and telephone services.

Better Quality Supplies for Farmers. -- In many instances, too, purchasing cooperatives have enabled farmers to improve the quality of production supplies and services available. Modern farm supply co-ops are in position to furnish the latest in the way of improved feeds. They are constantly on the alert to provide the types of seeds and fertilizers and petroleum products necessary to meet the requirements of today's farm production. By maintaining close contact with land-grant colleges and Federal research agencies cooperatives often have enabled farmers to

keep a step ahead when it comes to getting the kinds of production supplies suited to their ever-growing and changing farm needs.

In Summary

It is quite clear that modern agriculture presents a growing number of challenges to the farmer. He obviously is unable to know everything about all aspects of his farm operations. Through experience he is finding that his cooperatives -- purchasing as well as marketing -- are effective hired hands in looking out for his needs. By joining with his fellow farmers in these organizations, he has provided himself with skilled purchasing agents as well as resources for manufacturing the specific kinds of production supplies demanded by present-day farming. In the same way he joins with his neighbors to get the farm services he needs. His co-ops thus furnish a rounded and integrated service that helps him meet the challenges of modern agriculture.

The farmer now is confronted not only with the necessity of selling his farm products at the highest possible net returns but also with a growing need for obtaining the production supplies and services necessary to carry on his operations at the lowest possible price. During periods of a cost-price squeeze, he is in effect gripped in a vise. One jaw of this vise is well recognized, it's the farm-income jaw. The other jaw -- and one that is less well known -- is the one of constant or increased costs.

It is not always realized that, to provide the production supplies and services needed to carry out farm

operations, the farmer finds it as much to his advantage to set up his own cooperatives to buy his production supplies as it is to establish these associations to sell what he produces. It is only natural that he turns to his cooperatives to get the necessary jobs done in providing for the growing volume of production supplies and services needed to carry on his farm operations efficiently.

Since cooperatives are an important means of enabling the farmer to integrate his farm operations, they offer promise of being an even more useful tool to the farm manager in the years ahead. If he is to use his cooperatives effectively, however, they must have alert and competent leadership -- leadership constantly seeking to adjust services and operations to the demands of changing farm conditions.

